

## MEDICARE SAVINGS PROGRAMS (MSPs)

### Basic Subsidy Eligibility:

- **Qualified Medicare Beneficiary (QMB).** Income at or below 100% federal poverty level (FPL) (\$10,210/year in 2007); resources at or below \$4,000/individual or \$6,000/couple.
- **Specified Low-Income Medicare Beneficiary (SLMB).** Income at or below 120% FPL (\$12,252/year in 2007); resources as QMB.
- **Qualified Individuals (QI).** Income at or below 135% FPL (\$13,784/year in 2007); resources as QMB.

**Indexing:** Income levels change each year when federal poverty levels are announced between January and March; states must use the new levels by July 1. Asset levels are not indexed.

**Income/Resource Counting Rules:** Start with rules for Supplemental Security Income program, but states, under a statutory provision known as 1902(r)(2), can use more liberal rules.

**Enrollment Path:** The State Medicaid Agency.

**Payment:** Federal and state dollars. MSP benefit is medical assistance, eligible for the state's matching rate for federal financial participation (FFP). FFP for administrative costs is 50%.

### 2007 MEDICARE SAVINGS PROGRAM GROUPS

Category	Year Enacted	Income Limit	Resource Limit	Medicaid Pays	Entitlement
<i>Qualified Medicare Beneficiaries (QMBs)</i>	1988	100% of poverty	200% of SSI limit (\$4,000/individual, \$6,000/couple)	Part B premium; Part A premium, if any; all deductibles and coinsurance	Yes
<i>Specified Low-Income Medicare Beneficiaries (SLMBs)</i>	1990	120% of poverty	200% of SSI limit (\$4,000/individual, \$6,000/couple)	Part B premium only	Yes
<i>Qualifying Individuals (QIs)</i>	1997	135% of poverty	200% of SSI limit (\$4,000/individual, \$6,000/couple)	Part B premium only	No

Chart Source: "Report of the Study Panel on Medicare/Medicaid Dual Eligibles: Improving the Medicare Savings Programs," National Academy of Social Insurance, June 2006 <[www.nasi.org/usr\\_doc/Improving\\_the\\_Medicare\\_Savings\\_Programs.pdf](http://www.nasi.org/usr_doc/Improving_the_Medicare_Savings_Programs.pdf)>

## MEDICARE PART D LOW-INCOME SUBSIDIES (LIS)

**Basic Subsidy Eligibility:** Full subsidies for beneficiaries with incomes at or below 135% of federal poverty levels (FPL) (\$13,784/year in 2007); resources up to \$7,620/individual and \$12,190/couple in 2007. Partial subsidies for those with incomes at or below 150% of FPL (\$15,315/year in 2007); resources of not more than \$11,710/individual or \$23,410/couple in 2007.

**Indexing:** Income levels based on federal poverty levels announced between January and March; increases retroactive to January. Asset levels adjusted prior to January, based on the Consumer Price Index.

**Income/Resource Counting Rules:** Generally, those of Supplemental Security Income (SSI) program.

### Enrollment Paths:

- **Deemed status.** For those who receive benefits of full Medicaid (dual eligibles), Medicare Savings Programs (QMB, SLMB, QI), or SSI.
- **SSA door.** By application, through a local SSA office, through the SSA toll-free number, or through the SSA website at [www.socialsecurity.gov](http://www.socialsecurity.gov).
- **Medicaid agency door.** By application at the state Medicaid agency. If a beneficiary applies for LIS with the state, the state must also screen for MSP and other Medicaid benefits.

**Payment:** Benefit is all federal dollars. When states enroll beneficiaries, the states are paid at the Medicaid administrative match rate of 50%.

### 2007 LOW-INCOME SUBSIDY GROUPS AND COSTS

<u>Out-of-Pocket Costs</u>	<u>Standard Benefit</u>	<u>Group 1</u> Dual Eligibles	<u>Group 2</u> MSP (QMB, SLMB, QI)  SSI w/o Medicaid	<u>Group 3</u> Income ≤ 135% FPL  Resources Below \$7,620/\$12,190	<u>Group 4</u> Income ≤ 150% FPL  Resources Below \$11,710/\$23,410
Premium	Varies by plan (\$27.35 national average in 2007)	\$0	\$0	\$0	Sliding scale: \$0 up to "benchmark" (Based on income)
Deductible	\$265 per year	\$0	\$0	\$0	\$53
Cost Sharing*	Up to \$3850 out-of-pocket	Co-pays: \$0 if institutionalized \$1/\$3.10 ≤ 100% FPL \$2.15/\$5.35 > 100% FPL	\$2.15/\$5.35 co-pay	\$2.15/\$5.35 co-pay	15% coinsurance
Catastrophic Coverage	Greater of 5% or \$2.15/\$5.35 co-pay	\$0	\$0	\$0	\$2.15/\$5.35 co-pay

\*Individuals in the four LIS groups do not have the "Donut Hole" gap in coverage.

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## **Differences between the Part D Low-Income Subsidy and Medicare Savings Programs**

Part D's fully federal low-income subsidy and its implementation were modeled on MSPs, with slight, but nonetheless significant, differences. These differences, or non-alignments, make it difficult to assure that low-income Medicare beneficiaries get all the benefits that will best help them gain access to the health care they need. Differences include:

- LIS applications can be taken at both the state Medicaid agency and at the Social Security Administration; MSP applications are taken only at the state Medicaid office.
- LIS applications can be submitted on-line; this is true only in a few states for MSPs.
- LIS applicants can certify to the truth of the statements in their applications, without having to provide documentation with the application; this is true only in some states for MSPs.
- LIS application process does not require a face-to-face interview; a few states do for MSPs.
- LIS income and resource counting rules are uniform throughout the country; MSP rules vary by state.
- LIS resource levels are higher than those of most states' MSPs and the income level for the partial LIS subsidy is higher than that of MSP in all but two states.
- LIS does not count non-liquid assets such as vehicles and equipment; MSPs vary by state.
- LIS does not seek to recover benefits from the estates of deceased beneficiaries; in some states, MSP benefits are recovered.
- LIS is effective the first day of the month in which an individual expresses an interest in applying; the MSP QMB benefit is effective only the first day of the month after a beneficiary's eligibility has been determined; SLMB and QI can be effective up to three months prior to the month of application, if the beneficiary was eligible in those months.
- LIS measures income against the poverty level for the actual size of the applicant's family; MSPs in most states use a measure of one or two person families only.<sup>1</sup>

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<sup>1</sup> For a detailed discussion of these differences, see Patricia B. Nemore, Jacqueline A. Bender and Wey-Wey Kwok, "Toward Making Medicare Work for Low-Income Beneficiaries: A Baseline Comparison of the Part D Low-Income Subsidy and Medicare Savings Programs Eligibility and Enrollment Rules." Kaiser Family Foundation May 2006.

# Appendix

## Comparison of SSI and Drug Subsidy Rules

Concept	SSI Rule	Drug Subsidy Rule
<b>Determination Period</b>	Eligibility is determined on a month-to-month basis.	Eligibility is determined for the calendar year (or the remainder of the year for people applying after January).
<b>Income</b>		
Definition	Anything received in a month that can be used to purchase food or shelter	Same
Eligibility	Countable income does not exceed Federal Benefit Rate (FBR) plus state supplement	Countable income does not exceed 150% of Federal Poverty Level (FPL) for the size of the household
Deemed income	Income is deemed from an ineligible spouse to an eligible spouse, from a parent to an eligible child, and from a sponsor to an eligible alien.	SSI deeming rules do not apply. However, all of a spouse's income is considered.
<b>Earned Income</b>		
Definition	Wages, net earnings from self-employment, sheltered workshop payments and certain royalties and honoraria	Same
Exclusions	<ul style="list-style-type: none"> <li>Any unused portion of the \$20 general income exclusion</li> <li>Student earned income exclusion</li> <li>\$65 per month</li> <li>Half of remainder</li> <li>Impairment-related work expenses</li> <li>Blind work expenses</li> <li>Plan for Achieving Self-Support</li> </ul>	Same except for student earned income exclusion and Plan for Achieving Self-Support
<b>Unearned Income</b>		
Definition	Any income that is not earned	Same
Exclusions	\$20 per month general exclusion applied to all income except that which is based on need.	\$20 per month exclusion applied to all income including income based on need
In-kind Support and Maintenance (ISM) definition	Receipt of food or shelter or payments to the provider.	Same
Value of ISM	Value assumed to be 1/3 of the FBR for people living in the household of another. Value capped at 1/3 of the FBR + \$20 for people who receive ISM in their own household.	Valued at the amount alleged by the individual capped at 1/3 of the SSI FBR.
<b>Definition of Household</b>	Anyone living in the dwelling who shares food and shelter expenses	For purposes of counting ISM, same definition as SSI. For purposes of determined FPL, household includes the individual, his or her living-with spouse and any relatives who live in the dwelling who receive half or more of their financial support from the individual or spouse.

## Comparison of SSI and Drug Subsidy Rules—*continued*

Concept	SSI Rule	Drug Subsidy Rule
<b>Resources</b>		
Definition	Anything that can be converted to cash – both liquid and nonliquid (excludes home and one automobile)	Anything that can be converted to cash within 20 days (i.e., liquid) and real property (excludes home and all automobiles)
Eligibility	Countable resources do not exceed \$2,000 for an individual or \$3,000 for a couple	Countable resources do not exceed \$10,000 for an individual or \$20,000 for a couple (increased annually for inflation)
Transfer of resources	Transferred resources counted for 36 months	Transferred resources not counted
Deeming	Resources are deemed from an ineligible spouse to an eligible spouse, from a parent to an eligible child, and from a sponsor to an eligible alien.	SSI deeming rules do not apply. However, all of a spouse's resources are considered.
Life Insurance	If the combined face values of all of the individual's or spouse's policies are \$1,500 or less, the policies are totally excluded. If the combined face values exceed \$1,500, the cash surrender value of the policies is a countable resource.	Same
Burial fund exclusion	SSA excludes up to \$1,500 of funds (\$3,000 for a couple) that are set aside for funeral or burial expenses. The \$1,500 is offset by the face value of life insurance policies excluded under the \$1,500 exclusion. The burial fund is also offset by the amount held in an irrevocable trust or burial contract.	SSA excludes \$1,500 if the applicant indicates that he or she expects any portion of the resources listed on the application to be used for funeral or burial expenses. The \$1,500 is not offset by excluded life insurance, irrevocable trusts, or burial contracts.
<b>Verification and Documentation</b>	Verification is accomplished with documentary evidence of all factors of eligibility	Verification will consist of a comparison of allegations on the application to data obtained from other federal agencies.
<b>Signature</b>	Signature proxy is used	Same
<b>Representation</b>	Benefits may be paid to a representative payee. SSA will discuss claim-related matters with an authorized representative.	Since there is no payment of benefits, there is no need for a representative payee. Per HHS regulations, a personal representative may assist the applicant.

Source: Social Security Administration.